

News From  
**SENATOR LINCOLN CHAFEE**  
**RHODE ISLAND**



505 DIRKSEN BUILDING

WASHINGTON, D.C.

20510-3902

(202)224-2921

FOR IMMEDIATE RELEASE

Thursday, January 9, 2003

CONTACT: Jeff Neal

202/224-6167

**CHAFEE & FEINSTEIN UNVEIL LEGISLATION TO  
FREEZE TOP INCOME TAX RATE**  
*Deficit Reduction Bill Would Save \$88 Billion in Deficit Spending*

WASHINGTON, DC - U.S. Senator Lincoln Chafee (R-RI) today joined Senator Dianne Feinstein (D-CA) to unveil legislation to freeze the phase-in of the 2001 tax cut for the top income bracket. The legislation is designed to stop the increase in the federal deficit, and is projected to save \$88 billion.

"The 2001 tax cut was enacted when surpluses were huge and growing," Chafee said. "At the time, I advocated a smaller, more fiscally conservative tax cut. Ultimately, I was forced to oppose the final tax cut because I was nervous about its long-term budgetary effects."

Chafee continued: "My fears have been borne out: our government is in deficit, and we have large, expensive challenges ahead. Additionally, the growing \$6 trillion federal dollar debt costs us roughly \$200 billion in interest payments each year - more than we spend on housing, the environment, transportation, and education combined."

"This legislation is a down payment on the needs of tomorrow. By freezing the tax cut phase-in, we will reduce the projected deficits and debt by \$88 billion, trim down the amount of money we waste each year on interest payments, and provide confidence to the financial markets that we are getting our fiscal house in order. Finally, I strongly believe that these savings should be devoted exclusively to deficit reduction; not new spending programs," Chafee concluded.

In May, 2001, Congress approved a \$1.35 trillion, 10-year tax cut, which included phased-in cuts in marginal income tax rates. To date, the then 39.6 %, 36%, 31% and 28% federal income tax brackets have been reduced to 38.6%, 35%, 30%, and 27%; and a new 10% bracket has been created. The top income tax bracket, currently 38.6%, is scheduled to be reduced to 35% by 2006.

The Feinstein-Chafee would prevent the phase-in of the tax cut for this top income bracket. The Joint Committee on Taxation has estimated that freezing the top bracket would save approximately \$88 billion.

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